

**ASSOCIATE SUPERINTENDENT APPROVAL** \_\_\_\_\_

**STATE BOARD MEETING DATE** December 8, 2008

**SUBJECT:** Withholding 10% from State Board of Education Sponsored Charter Schools for failure to timely submit Annual Financial Audit & Questionnaire

**SUBMITTED BY:** DeAnna Rowe

**MANAGEMENT TEAM REVIEW:** \_\_\_\_\_

**BACKGROUND INFORMATION:**

Pursuant to the IGA entered into between the State Board of Education (the “SBE”) and the State Board for Charter Schools (the “ASBCS”), the ASBCS staff provides consistent oversight and recommendations to the SBE for the schools under the SBE’s sponsorship.

**Annual Financial Statement and Compliance Audit:**

A.R.S. 15-183(E)(6) and the Charter Contract require charter schools to submit an annual financial statement and compliance audit. The annual financial statement and compliance audit for the fiscal year ending June 30, 2008 was due November 15, 2008.

**Statutory Authority to withhold funds:**

A.R.S. §15-185(H) allows the sponsor of a charter school to make a determination at a public meeting whether a charter school is not in compliance with federal law, the laws of this state, or with its charter. If the sponsor determines that a breach has occurred the sponsor may submit a request to the Department of Education to withhold up to ten percent of the monthly apportionment of state aid that would otherwise be due the charter school. The sponsor shall provide written notice to the charter school at least seventy-two hours before the meeting and shall allow the charter school to respond to the allegations of non-compliance at the meeting before the sponsor makes a final determination. When the sponsor determines that the charter school has returned to compliance, the Department of Education shall restore the full amount of state aid payments and the amount withheld to the charter school.

**The following schools have failed to submit a complete fiscal year ending June 30, 2008 Annual Financial & Compliance Audit:**

- **Friendly House, Inc.**
- **Precision Academy Systems, Inc.**

**BOARD ACTION REQUESTED:** [ ☐ ] INFORMATION [X] ACTION/DESCRIBED BELOW

The State Board of Education finds the school in non-compliance with the annual financial audit requirements and approves withholding ten percent of its monthly apportionment of state aid and requires a corrective action plan. The funds will be withheld until a complete fiscal year ending June 30, 2008 annual financial and compliance audit been submitted. Submission of the audit and compliance questionnaire shall also serve as the required corrective action plan.

**ATTACHMENTS:** YES [ ☐ ] NO[X]